



WATERBURY HOSPITAL

TESTIMONY OF EDWARD ROMERO, CHIEF FINANCIAL OFFICER, WATERBURY HOSPITAL BEFORE THE LABOR & PUBLIC EMPLOYEES COMMITTEE

FEBRUARY 18, 2014

SB-61: AN ACT CONCERNING WORKERS' COMPENSATION AND LIABILITY FOR HOSPITAL SERVICES

Good afternoon. My name is Edward Romero, Chief Financial Officer of Waterbury Hospital. I am here today to testify in opposition to ***SB-61: AN ACT CONCERNING WORKERS' COMPENSATION AND LIABILITY FOR HOSPITAL SERVICES***.

This proposed legislation does not assist injured workers or improve the business climate in Connecticut, it merely further destabilizes already fragile hospital finances—both for today and in the future—by not paying the full cost for care delivered to injured workers.

This bill will enable a Texas-based health care repricing company, Fairpay Solutions, to obtain a legislative bailout of their insurance clients' liability under existing Connecticut laws that call for fair reimbursement to hospitals for the care provided to injured workers through Workers' Compensation.

There are two important points to make about Fairpay's practice of inappropriately discounting hospital bills. The first is that the initial bills submitted by hospitals for care delivered to injured workers are based on hospitals' published charges—established under Section 19a-646 of the Connecticut General Statutes, which requires that hospitals be reimbursed based on freely negotiated rate agreements or published charges. The second is that Fairpay Solutions' practice of discounting bills was overturned by a Workers' Compensation Commissioner, and his decision is now before the Connecticut Supreme Court. The final brief was filed on February 6 and the case will be argued in a few months and decided thereafter.

The Commissioner ruled that the carriers and employers were responsible for the full charges submitted by two Connecticut hospitals and ordered the carrier and employers to pay the full balance owed in keeping with current law. Rather than abide by this ruling and move forward under existing statute, Fairpay is seeking legislative solutions to defy the Commission's ruling and overturn the long-standing hospital reimbursement requirement under current law.

What does this mean for Waterbury Hospital? Our hospital treats a higher percentage of Workers' Compensation injuries because of the size and scale of our organization. Fairpay Solutions has reviewed and is handling hundreds of Workers' Compensation cases for bills submitted by the Hospital. And, they have substantially underpaid us for services already rendered, resulting in millions of dollars in losses. That's what is at stake today for Waterbury Hospital. I am deeply concerned about the future if this bill is passed and enacted.

This issue, however, goes beyond just the dollars and cents for Waterbury and other Connecticut hospitals—it strikes at the heart of fairness in payment for the high quality services we deliver to patients; in this case, injured workers.

While “fairness” can be construed as a subjective term, there are a number of specific reasons that this bill should be rejected. It:

- **Interferes with a pending legal case without justification.** As referenced earlier, this matter is now before the Connecticut Supreme Court. There has been no justification provided by Fairpay as to why the state legislature should interfere with the normal process of adjudication other than that the Commissioner has ruled against its position.
- **Overburdens the Workers’ Compensation Commission.** Since 1994, the vast majority of all Workers’ Compensation hospital bills have been paid pursuant to negotiated agreements between hospitals, insurance companies and managed care organizations. The substance of the proposed bill is directly contrary to the legislature’s general movement to deregulate hospital rates, which began in the mid-1990s. For twenty years, the state has encouraged employers to emulate the negotiation practices of health insurance companies. That is, to negotiate contracts for discounts from hospital charges before services are provided, or to set up managed care plans which function on the basis of negotiated rates. Instead, this bill would require the Workers’ Compensation Commission to become a ratemaking agency. The bill provides no guidance for the Commissioners. There is no basis to believe that the Commission has the desire, the staff, or the expertise to perform the highly complex task of determining what a reasonable rate of reimbursement is for each Connecticut hospital in each case to treat an injured worker.
- **Does not propose adequate payment for hospital services prior to the adoption of a fee schedule.** The proposed payment, operating expense plus the cost of uncompensated care, would not provide enough to cover all incurred costs – it would exclude the cost of the hospital tax, which adds seven percent to the cost of employer-sponsored private and workers’ compensation insurance; the annual Medicaid payment shortfall, which adds another 20 percent to the cost of employer-sponsored health insurance and workers’ compensation; and the annual Medicare shortfall, which adds another 10 percent to the cost of employer-sponsored health insurance and workers’ compensation. This would further exacerbate the fragile financial condition and sustainability of Waterbury Hospital.
- **Sets up a dual hospital payment system under which the liability of employers and insurers to compensate hospitals for care provided to injured or ill workers differs from the general system used to determine rates of reimbursement for hospitals for treatment of everyone else.** This is inconsistent with the Supreme Court’s interpretation of the “actual cost” language in Section 31-294d(d) in *Burge v. Stonington*, 219 Conn. 581 (1991).

And, finally, **Fairpay’s attempts to underpay hospitals are arbitrary and should be challenged.** If carriers and providers negotiate rates, or employers set up approved managed care plans, there is no need for individual review of bills by repricing company such as Fairpay Solutions. The arbitrary claims’ settlement methods of Fairpay should be examined by the Labor and Public Employees Committee or the Insurance Committee.

For these reasons, Waterbury Hospital respectfully recommends that the Committee reject this legislation.

Thank you for your consideration.